

Rule 4-10. Pilot Program Cost Securitization for Retired Electric Utility Assets

Commented [A1]: Match the title of the statute.

SECTION 1. 170 IAC 4-10 IS ADDED AS FOLLOWS:

170 IAC 4-10-1 Policy and scope

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 1. This rule is intended to establish procedures and guidelines for cost securitization for retired electric utility assets under IC 8-1-40.5. (*Indiana Utility Regulatory Commission; 170 IAC 4-10-1*)

170 IAC 4-10-2 Applicability under IC 8-1-40.5

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 2. This rule applies to any electric utility, as defined under IC 8-1-40.5-3, that meets the threshold for qualified costs pursuant to IC 8-1-40.5-10(a). (*Indiana Utility Regulatory Commission; 170 IAC 4-10-1*)

170 IAC 4-10-3 No change to other commission processes

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 3. This rule does not replace other commission requirements, including, but not limited to:

- (1) a proceeding requesting a certificate of public convenience and necessity; and
- (2) the commission's rule 170 IAC 4-7 regarding integrated resource planning.

(*Indiana Utility Regulatory Commission; 170 IAC 4-10-1*)

170 IAC 4-10-4 Definitions

Authority: IC 8-1-1-3; IC 8-1-40.5-19

Affected: IC 8-1-40.5

Sec. 4. (a) The definitions in IC 8-1-40.5 and this section apply throughout this rule:

- (b) "Case-in-chief" means the evidence and documentation provided by the utility in support of its petition, including, but not limited to, those listed in subsection 5(c) below at a minimum.
- (c) "Commission" means the Indiana utility regulatory commission.
- (d) "OUCC" means the Indiana office of utility consumer counselor established under IC 8-1-1.1.

- (e) “Removal costs” mean those costs:
(1) incurred or expected to be incurred to physically remove retired utility facilities; and
(2) that have not already been recovered from customers.

- (f) “Restoration costs” mean those costs:
(1) incurred or expected to be incurred that are necessary and reasonable to restore the site of retired utility facilities to a state found to be just that complies with any underlying contracts, Commission orders, environmental and other federal, state and/or local land use requirements, and any additional conditions ordered by the Commission as necessary, reasonable by the commission and just; and
(2) that have not already been recovered from customers.

(Indiana Utility Regulatory Commission; 170 IAC 4-10-2)

170 IAC 4-10-5 Petition and case-in-chief
Authority: IC 8-1-1-3; IC 8-1.5-3-8.3
Affected: IC 8-1.5-3-8.1; IC 8-1.5-3-8.3

Sec. 5. (a) An electric utility seeking to securitize costs for retired electric utility assets shall file its petition and its case-in-chief on the same day. The 240 day timeline in IC 8-1-40.5-10(b) does not start until ~~the~~ complete case-in-chief is filed.

- (b) The electric utility’s petition shall contain, at a minimum, the following:
(1) The amount and terms of the proposed securitization bonds.
(2) Proposed term in years of the securitization bonds.
(3) Total jurisdictional rate base at time synchronized with qualified costs at time of bond issuance.
(4) An executive summary of the request.
(5) The names and contact information of all likely intervenors.

- (c) The electric utility’s case-in-chief shall contain, at a minimum, the following:
(1) Descriptions and schedules of the qualified costs to be subject to the securitization, including linking or mapping the qualified costs to the costs currently included in utility rates, as applicable.
(2) Schedule(s) and supporting assumptions and documentation comparing the net present value of the proposed securitization charges with the net present value of the recovery of the qualified costs through traditional ratemaking showing significant customer savings with the proposed securitization charges over traditional ratemaking.
(3) Identification and list of electric utility assets to be retired for which securitization is being requested, together with their original cost, the date of purchase, the in-service date, the number of years the electric utility asset was expected to remain in use, and the number of years the electric utility asset being retired has been in service, its remaining useful life, total accumulated depreciation related to the electric utility asset, and the expected net salvage value.

- (4) Proposed process to accomplish the requirements of IC 8-1-40.5-12(c), including a demonstration that securitization charges will be sufficient to timely provide all

Commented [A2]: The OUCC recommends this to clarify what restoration costs can be included based on previous circumstances.

Commented [A3]: The OUCC recommends this be added so it is clear restoration costs that have already been recovered from customers are not to be included.

Commented [A4]: The OUCC recommends this clarification to specifically refer to the “securitization bonds.”

Commented [A5]: The OUCC recommends the rule include stronger language that the securitization of the asset should have a “significant” savings over traditional treatment. This will avoid negligible savings and is similar to the language used by Florida. See paragraph 35 under section VI. in Florida Public Service Commission Order No. PSC-15-0537-FOF-EI under Docket Nos. 150148-EI, 150171-EI.

Commented [A6]: The OUCC recommends at least these specific items be included to ensure they are provided in the case-in-chief to reduce potential discovery between parties.

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payments on debt service and other required amounts and charges in connection with the securitization bonds.

(5) Identification and description regarding the use of the securitization bonds proceeds and accounting entries at receipt of bond proceeds.

(6) Identification and description of the proposed mechanism to reduce the electric utility's base rates and charges upon assessment of the securitization charges on customer bills, so as to remove any qualified costs, and other costs deemed appropriate, from the electric utility's base rates and provide timely savings to customers.

(7) Identification and description of the most recent cost allocation methodology approved by the commission including allocation percentages for each customer class, rationale for allocation percentages, calculation of rate factors for each customer class, revenue proof using calculated rate factors, and rationale, if applicable, for deviation from the cost allocation methodology approved in the electric utility's last base rate proceeding.

(87) Tariffs and supporting documentation for securitization charges and proposal for removing qualified costs from existing rates, as applicable.

(98) Identification and description of current and anticipated market conditions and expected bond structure.

(109) Proposed plan for capital investment in Indiana, with justification of any plan investment that is not identified as a clean energy resource under Ind. Code 8-1-40.5-10(d)(4).

(110) Basis and supporting documentation for any and all estimated numbers.

(121) A description of any debt or equity securities to be refinanced or retired, including previously issued securitization bonds.

(12)(132) A list of previously approved and pending requests for authority to issue securitization bonds together with amortization schedules.

(14) Details on the entity/entities issuing the securitization bonds including structure of the entity and service agreement between the electric utility and the entity, and details on the right to impose, bill, collect, and receive securitization charges in the amount proposed for these entities.

(153) A copy of any contract, agreement, or arrangement that is proposed or has been made, or examples of thereof, for the sale of the securitization bonds proposed to be issued.

(13164) Demonstration of the proposed process to be used to correct any over- or under-collections or under-collections of securitization charges, and,

(14175) Proposed financing order.

(18) All requirements as contained in commission General Administrative Order 2020-05, section five.

(19) Proposed process on how a reserve account will be established for the collection of the securitization charges including how the collection of securitization charges will be accounted for and kept separate from other accounts, FERC account number for the

Commented [A7]: The OUCC recommends the utility provide the allocation methodology approved in the most recent base rate proceeding and if the utility proposes a change to allocation methodology provide the justification.

Commented [A8]: The OUCC recommends the specific section of the Indiana Code this is referring to be referenced.

Commented [A9]: The OUCC recommends this be provided in the case-in-chief to reduce the potential for future discovery.

Commented [A10]: The OUCC recommends this be specifically indicated as it is an integral part of any securitization and at minimum this should be included in the case-in-chief.

Commented [A11]: The OUCC recommends section five of this GAO be referenced and followed as the current legislation establishes securitization as a "pilot program."

account holding the collected securitization charges, and the initial reserve deposit amount into this account.

(20) Description of Federal income tax consequences of the securitization transaction and how it meets the provisions established in IRS Revenue Procedure 2005-62, or other Revenue Procedures, and.

(21) Descriptions and supporting schedules for any ongoing costs related to the securitization bonds and how this cost is proposed to be recovered.

(Indiana Utility Regulatory Commission; 170 IAC 4-10-3)

170 IAC 4-10-6 Notice to OUCC and likely intervenors

Authority: IC 8-1-1-3; IC 8-1.5-3-8.3

Affected: IC 8-1.5-3-8.1; IC 8-1.5-3-8.3

Sec. 6. The electric utility shall provide notice at least 60 days prior to filing its petition to:

- (1) the OUCC; and
- (2) any person or entity the electric utility thinks may be likely to intervene in the securitization proceeding.

(Indiana Utility Regulatory Commission; 170 IAC 4-10-4)

170 IAC 4-10-7 Notice to customers

Authority: IC 8-1-1-3; IC 8-1.5-3-8.3

Affected: IC 8-1.5-3-8.1; IC 8-1.5-3-8.3

Sec. 7. (a) Within two weeks of the filing of its petition, the electric utility shall provide notice to its customers by:

- (1) posting notice on the electric utility's website; and
- (2) publishing notice through an advertisement in a newspaper of general circulation in each county served by the electric utility.

(b) The notice shall state:

- (1) That the electric utility has filed with the commission a petition for securitization financing order and authority for a finance subsidiary to issue securitization bonds;
- (2) The total amount of the securitization bonds requested;
- (3) The proposed securitization charges and the number of years it will be collected;
- (4) The net impact on customer rates;
- (4) That interested persons may send comments to the OUCC; and
- (5) The mailing and website addresses and toll-free telephone numbers for the OUCC External Affairs Division and for the commission.

Commented [A12]: The OUCC recommends it be clear in the case-in-chief how the utility will handle the collected securitization charges and how an initial reserve deposit will be handled to help ensure the rating of the bonds.

Commented [A13]: The OUCC recommends it be clear how the utility will meet this specific revenue procedure and make it known what, if any, tax consequences there will be related to the securitization.

Commented [A14]: The OUCC recommends it be clear in the case-in-chief what ongoing costs the utility expects to incur related to the securitization bonds.

Commented [A15]: The OUCC recommends this certain contact information to be included to make it easier for customers to contact the OUCC or commission.

(Indiana Utility Regulatory Commission; 170 IAC 4-10-5)

OUCC General Comments

The Statue calls for “at-least annual reconciliation filings the OUCC recommends the rule encourage more frequent reconciliations, at least bi-annually, or more frequently if warranted. The OUCC also recommends a section be added pertaining to the reconciliation. The reconciliation filing should include at a minimum, total charges collected from customers, over/under amount collected for the reconciliation period, forecast for the future period, allocations to customer classes, any changes if any from last filing, and all supporting documentation and schedules. Similar to 170 IAC 4-8-5.

The OUCC also recommends a section be added that specifically refers to the final true-up related to the securitization bonds. This section should clarify how any over- or under-collection of funds will be distributed back or collected from customers.